

**Net profit for 2017: NIS 1,347 million**  
**compared to NIS 1,266 million for 2016**  
**6.4% growth**

**Shareholders' equity: NIS 13,685 million**  
**compared to NIS 12,714 million at the end of 2016**  
**7.6% growth**

**Net profit in the fourth quarter: NIS 365 million**  
**compared to NIS 265 million in the corresponding period last year**  
**37.7% growth**

**Return on equity in the fourth quarter: 11.2%**  
**For full year 2017: 10.2%**

**Financing revenues from current operations in 2017: NIS 4,363 million**  
**compared to NIS 3,876 million in 2016**  
**12.6% growth**

**Dividend distribution of NIS 110 million**  
**with respect to the fourth quarter earnings**

**From the first quarter of 2018, an increase in the rate of dividends to be distributed to shareholders to up to 40% of net profit**

## Continuous growth from multi-year perspective

The Bank's financial results for 2017 reflect growth and expansion, not only compared to the previous year but also from the multi-year perspective.

Between 2013-2017, there was an average annual growth rate of 8.1% in total assets, 7.1% in loans to the public and 7.5% in deposits from the public.

Despite a 56% increase in the Bank's capital base: from NIS 8.7 billion at end of 2012, to NIS 13.7 billion in 2017 – average annual growth by 9.4%, the Bank managed to present double-digit return on equity throughout the last five years.

## Further increase in Mizrahi-Tefahot Group's market share

Mizrahi-Tefahot posted growth in all key balance sheet items in 2017. Thus, *inter alia*, loans to the public reached NIS 181.1 billion, an increase by 5.7%. compared to end of 2016. Deposits from the public amounted to NIS 183.6 billion, an increase of 3.0% over the year-ago period, with deposits from households and from micro and small businesses growing by 7.9%.

Consequently, Mizrahi-Tefahot further increased its market share among the top 5 banking groups. According to data for the third quarter of 2017, the Bank Group share of loans to the public grew to 18.8% of this market. Mizrahi Tefahot's share of deposits from the public reached 15.9%.

## Fruitful co-operation with institutional investors

In 2017, the Bank continued its fruitful and productive co-operation with institutional investors.

This co-operation took place in diverse ways, including sale of the Bank's housing loan portfolios to institutional investors and participation of institutional investors in issues by the Bank during this year.

In total in 2017, Mizrahi Tefahot conducted three transactions for sale of 80% of housing loan portfolios, for a total of NIS 2.9 billion.

The good relationship and strong trust between institutional investors and the Bank were also reflected in issues conducted by the Bank in 2017. In total, the Bank conducted three issues and raised a total of NIS 6.9 billion, of which NIS 680 million in CoCo contingent subordinated notes.

In addition, Bank Yahav also issued CoCo notes, raising NIS 120 million.

## **Eldad Fresher: Growth and expansion at Mizrahi Tefahot continued in 2017, with further growth in revenues, net profit and market share of the Bank**

"Mizrahi-Tefahot's successful continued growth in 2017 in revenues, in net profit and in market share, given the macro-economic environment of near-zero interest and inflation rates and implications of the agreement reached with employees – is an indication of the Bank's robustness and of the quality of its staff and management. Revenues (from financing operations, commissions and other revenues) reached NIS 6 billion for the first time and net profit rose to a new record of nearly NIS 1.35 billion – with double-digit return on equity at 10.2%. This was despite a 7.6% increase in the Bank's capital base.

Mizrahi-Tefahot's growth strategy was also reflected in 2017, in continued expansion of the branch network to 187 branches and affiliates, in recruiting tens of thousands of new clients – households and businesses, in expanding the service-oriented staff at branches and at the banking center, in expanding Group market share in loans and deposits and in maintaining the Bank's leadership position in the mortgage market. This was achieved along with development and deployment of advanced tools to upgrade the service experience for Bank clients.

2017 was the first year of the Bank's five-year strategic plan and in line with one of its key targets – increased focus on the business sector – the Bank posted this year impressive 9% growth in loans to the business sector and in financing revenues from such operations. Thus, *inter alia*, loans to medium businesses jumped by 20.8%, loans to micro and small businesses grew by 10.5% and loans to large businesses rose by 6.6%.

In the final quarter of this year, a collective bargaining agreement for 2016-2021 was signed with the Employee Union, ensuring complete calm labor relations throughout the term of the agreement and employee support for Bank objectives in the coming years, including the merger with Union Bank.

The Union Bank transaction, should it be approved by regulators, would help the Bank reach the targets of its strategic plan more quickly, while improving Bank competitiveness vis-à-vis the larger banks and boosting the Bank's capacity to provide an appropriate alternative for all clients – and in particular for business sector clients.

As in the first three quarters, the Board of Directors approved a dividend distribution with respect to fourth quarter earnings as well. Shareholders will benefit from dividends amounting to NIS 110 million, and a total of NIS 404 million for all 2017 earnings. This compares to NIS 190 million distributed with respect to 2016 earnings. At the same time it was resolved to update the dividends policy, such that as from the first quarter of 2018, dividends to be distributed to shareholders would be increased to up to 40% of net profit", said **Bank President & CEO, Eldad Fresher.**

**Mizrahi-Tefahot Ltd.**  
**Highlights of financial statements**  
**As of December 31, 2017 – NIS in millions**

**Major balance sheet items**

	December 31, 2017	December 31, 2016	Rate of change In %
Loans to the public, net	181,118	171,341	5.7
Deposits from the public	183,573	178,252	3.0
Shareholder equity attributable to equity holders of the Bank	13,685	12,714	7.6
Balance sheet total	239,572	230,455	4.0

**Profit and profitability**

	All of 2017	All of 2016	Rate of change In %
Total financing revenues before expenses with respect to credit losses	4,483	4,073	10.1
Commissions and other revenues	1,517	1,567	(3.2)
<b>Total revenues</b>	<b>6,000</b>	<b>5,640</b>	<b>6.4</b>
Expenses with respect to credit losses	192	200	(4.0)
Operating and other expenses	3,611	3,299	9.5
<b>Net profit attributable to shareholders of the Bank</b>	<b>1,347</b>	<b>1,266</b>	<b>6.4</b>
<b>Net profit attributable to shareholders of the Bank (fourth quarter)</b>	<b>365</b>	<b>265</b>	<b>37.7</b>

**Key financial ratios (in percent)**

	December 31, 2017	December 31, 2016
<b>Key performance benchmarks</b>		
Net profit return on equity:		
<b>For the year</b>	<b>10.2</b>	<b>10.2</b>
<b>For the fourth quarter</b>	<b>11.2</b>	<b>8.6</b>
Deposits from the public to loans to the public, net	101.4	104.0
Ratio of Tier I capital to risk elements	10.20	10.10
Leverage ratio	5.48	5.27
(Quarterly) liquidity coverage ratio	118	117
Cost-income ratio:	60.2	58.5
<b>Key credit quality benchmarks</b>		
Ratio of provision for credit losses to total loans to the public	0.81	0.83
Ratio of impaired debts or debts in arrears 90 days or longer to total loans to the public	1.02	0.98
Ratio of net accounting write-offs to average loans to the public	0.09	0.11
<b>Additional information</b>		
Share price (in NIS) as of December 31	64.19	56.35
Dividends per share (in Agorot)	144	80